

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS SECTION 01 OF 05 TEGUCIGALPA 000734

SIPDIS

SENSITIVE

STATE FOR H PASS TO CODEL BALLENGER
STATE FOR WHA/CEN, INL/LP, DRL/PHD, EB, AND CA
STATE PASS AID FOR LAC/CEN

E.O. 12958: N/A

TAGS: [OREP](#) [PREL](#) [PGOV](#) [PHUM](#) [ECON](#) [SNAR](#) [HO](#)

SUBJECT: SCENESETTER FOR CODEL BALLENGER'S VISIT TO
HONDURAS, APRIL 12-13

1. (SBU) Summary: Post welcomes the visit of CODEL Cass Ballenger (R-NC, Chairman, House International Relations, Western Hemisphere Subcommittee) to Honduras April 12-13. Honduran President Ricardo Maduro, a little over half way through his constitutionally mandated single four-year term, faces a difficult task leading a highly indebted poor country with numerous challenges. Bilateral relations between the U.S. and Honduras are excellent; Honduras was the first country in the Western Hemisphere to sign and ratify an ICC Article 98 Agreement with the United States. Honduras' support for the Global War on Terrorism (GWOT) is steadfast and the Government of Honduras (GOH) has sent troops to Iraq in support of Operation Iraqi Freedom. End Summary.

Counterterrorism Cooperation

2. (SBU) Maduro is a solid supporter of the U.S. on GWOT. The GOH has responded quickly to all USG requests regarding terrorist threats and financing, although to date, no terrorist assets have been found in Honduran financial institutions. Honduras is also the only country in the region, apart from Panama, to have signed and ratified all UN and OAS counterterrorism conventions and protocols. Honduras has also been aggressive in upgrading port security and appears to be on track to comply with port certification requirements in the U.S.'s Maritime Transportation Security Act by July 1, 2004.

Iraq and Other Key Foreign Policy Goals

3. (SBU) The GOH is very supportive of USG foreign policy goals, including the reconstruction of Iraq. In support of Operation Iraqi Freedom (OIF), the GOH deployed some 370 troops to the vicinity of An Najaf as part of the Spanish Brigade operating under the Polish Division. These troops are currently scheduled to return to Honduras this July when Honduras' formal commitment to OIF ends. President Maduro announced on March 16 that he would not seek to extend this costly deployment for another year. Central American units from El Salvador and the Dominican Republic are also serving under Spanish command. In August 2003, CJCS GEN Myers and Secretary Rumsfeld visited Honduras, and in November 2003,

SIPDIS

Secretary Powell visited, to thank the GOH for its support of

SIPDIS

OIF. Their visits were well received and provided important political support for Maduro's Iraq policy. As in most of the region, the general public overwhelmingly opposes the Honduran deployment. Honduras is also very supportive at the UN, sharing our views on resolutions covering such key issues as human rights, human cloning, and the Middle East.

Bilateral Political/Military Issues

4. (U) Honduras was the first country in the Western Hemisphere to sign and ratify an Article 98 Agreement with the United States. Honduras now has a civilian Minister of Defense (MOD) and a Chief of the Joint Staff who heads the Honduran Armed Forces (HOAF). In January of 1999, the constitution was amended to abolish the position of military commander in chief of HOAF, thus codifying civilian authority over the military. Civilian control over the HOAF is complete and civil/military relations are good. This transition has resulted in greater transparency and fiscal accountability. The HOAF has a new focus on trans-national threats, including counterterrorism, narcotrafficking, and combating international criminal organizations. The HOAF is interested in establishing an ability to further increase its participation in international peacekeeping operations. Honduras also stands ready to participate in a regional arms

"rationalization" process, but has announced that it will not negotiate on a bilateral basis.

Soto Cano Air Base - Joint Task Force Bravo

15. (SBU) About six hundred U.S. service men and women and fourteen civilian DOD employees are currently stationed at Honduras' Soto Cano Air Base under the command of the Combatant Commander, U.S. Southern Command (SOUTHCOM) as Joint Task Force Bravo. In 1954, the USG and GOH signed a Bilateral Military Assistance Agreement that set forth their intention to work closely together to foster peace and security in the Western Hemisphere. The ICC Article 98 Agreement with Honduras is therefore a particularly important accomplishment and enables our military forces to continue to work together in such areas as disaster relief, joint training exercises, and counternarcotics missions.

Counternarcotics

16. (U) Honduras' geography places it squarely in the middle of a major illegal drug trans-shipment zone, and the trans-shipment of cocaine through Honduras by air, land, and maritime routes continues. However, this trade has now begun to face significant disruptions. In 2003, overall seizures in Honduras were higher than the past five years combined and in 2004 Honduras has already seized over 1,500 kilos of cocaine.

17. (SBU) Corruption within the police, Public Ministry, and the judiciary remain a primary impediment to successful law enforcement cooperation. However, the GOH has moved forward with the implementation of new units in support of the strengthened Money Laundering Law, which was passed in 2002. The National Council for the Fight Against Drug Trafficking (CNCN) has renewed its commitment to lead the country's counternarcotics efforts. Available funds to implement a government approved master counternarcotics plan, though, remain severely limited.

Border Relations

18. (SBU) Honduras has border disputes with its three Central American land neighbors and its seven maritime neighbors. Maduro is personally engaged with his Presidential counterparts to address these issues. Its land and maritime disputes with El Salvador and Nicaragua are the most heated. The Gulf of Fonseca on the Pacific coast has been a particularly difficult point. A 1992 International Court of Justice (ICJ) ruling laid out a shared area of control in the Gulf of Fonseca and established the land border between Honduras and El Salvador, although El Salvador has been slow to implement the ruling. In September 2002, El Salvador requested a revision of the 1992 ICJ ruling. In December 2003, the ICJ ruled against the Salvadoran appeal, bringing an end to the case. The Organization of American States (as a neutral third party) is providing both nations technical assistance to help them implement the non-disputed elements of the ICJ's ruling.

19. (SBU) On the Caribbean coast, Honduras and Nicaragua have a long-standing maritime border dispute over the 15th parallel. In the past, the dispute has threatened to derail trilateral counternarcotics operations. In 1999, Honduras provoked Nicaragua retaliation when it signed a maritime treaty with Colombia recognizing the 15th parallel as its maritime border. Nicaragua subsequently filed an ICJ case over the maritime border and more importantly in 1999 slapped a punitive 35 per cent tariff on Honduran goods. This tariff remained in place until April 2003 despite a Central American Court of Justice ruling that it was illegal. Only after Honduras responded with a retaliatory tariff, threatening Nicaraguan exports, did Managua rescind the tax.

Economic Overview

110. (SBU) Honduras, with a per capita income of USD 950, is the third poorest country in the Western Hemisphere ahead of only Nicaragua and Haiti. The economy is still growing (about 2.5 percent per year) but slower than the population growth. Social indicators are improving, but two-thirds of all Hondurans live in poverty and average education levels are very low. Historically, low world coffee prices have hit rural areas particularly hard (although they are now rising somewhat) forcing major cutbacks in planting, fertilizing, harvesting and investment. Agriculture continues to contribute significantly to the economy, particularly the production of bananas, coffee, cultivated shrimp, melons and

other fruits, vegetables, and grains.

11. (SBU) The apparel assembly (maquila) sector grew dramatically in the 1990s, reaching peak employment in 2000 of about 120,000 people. Activity slowed after 2001 because of the U.S. economic slowdown in 2001-2002 and increased competition from Asia, but the sector appears to be rebounding since 2003. While there has been some economic diversification (melons, cultivated shrimp, palm oil), there continues to be a large subsistence farmer population with few opportunities other than illegal immigration to the U.S. The Honduran government's desire to attract new types of foreign investment has been hindered by the stagnant economy and a wide range of investment climate/competitiveness problems.

12. (SBU) Remittances from Hondurans abroad, particularly the U.S., continue to grow rapidly and have become the most important source of foreign exchange. The U.S. is Honduras, largest trading partner. The roughly 150 U.S. companies that do business in Honduras constitute the largest block of foreign direct investors. After almost two years of negotiations, the Maduro Administration signed a Letter of Intent with the International Monetary Fund, which was approved by the IMF's Executive Board on February 26, for a new three-year arrangement for Honduras under the Poverty Reduction and Growth Facility (PRGF). The IMF expects the GOH to reach its Heavily Indebted Poor Countries (HIPC) completion point by 2005 with good PRGF implementation. The Paris Club needs to negotiate HIPC interim relief for Honduras in April (a cancellation of 90 percent of the GOH's debt payments falling due during the period until completion point). The GOH, along with its four Central American neighbors (Costa Rica, El Salvador, Guatemala, and Nicaragua) also recently signed the U.S.-Central American Free Trade Agreement (CAFTA). Maduro's team is hoping that CAFTA can serve as a catalyst to spur regional economic cooperation and integration.

The Importance of CAFTA

13. (SBU) The Honduran government, along with El Salvador, Guatemala and Nicaragua, reached agreement on the terms of the U.S.-Central American Free Trade Agreement (CAFTA) in December 2003; Costa Rica closed its negotiations in January and the Dominican Republic recently negotiated its market access chapters in March. Honduras is hoping that the Central American countries will have a signing ceremony with President Bush in late May (once the required consultation period with the U.S. Congress is completed) and to begin national ratification shortly thereafter. The Honduran government and private sector are concerned that election year politics in the United States may delay ratification by the U.S. Congress.

14. (SBU) The CAFTA agreement is strongly supported by the Honduran private sector. The CAFTA textile chapter is perceived as absolutely vital to the survival of the textile and apparel sector in Honduras after worldwide quotas are eliminated in 2005. The CAFTA agricultural chapter is expected to liberalize agricultural trade gradually while protecting Honduran farmers from sudden disruptions caused by subsidized imports. The agreement also will spur modernization in government procurement and services, and will help lock in the GOH's structural reforms in areas such as telecommunications. Honduras is already seeing about \$200 million in new foreign investment as a result of CAFTA, just this year. While the agreement will require some politically sensitive changes to legislation and there is a small, but vocal, leftist opposition led by the Popular Block, which includes NGOs, unions, and a leftist political party, Honduran ratification is expected to be relatively easy.

Supreme Court and Judicial Reform

15. (SBU) In 2000, the GOH initiated substantial judicial reforms intended to allow the Supreme Court to develop into an independent branch of power, unlike any of its predecessor courts since democracy was restored in 1982. While the new court is pro-reform in orientation and has fought for its prerogatives, its performance of late, under the leadership of its President, Vilma Morales, has been a disappointment. There continues to be a high level of political manipulation in the court's proceedings and the issue remains open as to whether or not it can become a fully independent and co-equal branch of political power, consistent with the separation of powers provision in the Honduran Constitution. The established political order is fighting that prospect with vigor. In fact, the National Congress seized the political opportunity to introduce legislation that would amend the constitution to give itself the power to interpret the constitutionality of the laws it passes. The Supreme Court

ruled in May 2003 that the proposed amendment was unconstitutional, which sparked a tense confrontation between the Supreme Court and Congress. The issue receded until recently when Congress passed a new amendment to the Constitution again granting Congress the right to interpret the constitutionality of laws it passes. A legal challenge to this amendment is expected in the near future, although the amendment has yet to be printed in the official register (La Gaceta) and therefore is not yet law. Judicial corruption remains an ongoing problem and the President of the Court has not acted decisively to root out and punish bad judges.

Public Security/Human Rights

16. (SBU) Upon taking office on January 27, 2002, President Maduro's first act was to fulfill his main campaign promise -- a zero tolerance campaign against the country's intolerably high crime situation. He deployed more than 5,000 soldiers to the streets to support the police. The public responded enthusiastically. However, after initial success of establishing a visible police presence, violent crime, particularly homicides, continued at a high rate, although there is evidence that the murder rate has fallen in the last six months or so. The U.S. is helping the Maduro government establish an anti-kidnapping unit, increase intake/training of police recruits, create a model tourist police force, boost its counternarcotics efforts, expand the frontier police, and improve prosecutorial and forensic capacities. The country's geographic position makes it an obvious strategic transit point for narcotics trafficking, alien smuggling operations, trafficking in persons, and other organized crime activities.

17. (SBU) Extrajudicial killings, especially of children/young adults since 1998, have been a source of serious concern and only recently has the GOH begun to take steps to investigate the hundreds of unsolved cases. Human rights groups regularly accuse former security force officials and the business community of colluding to organize "death squads" to commit these summary and arbitrary executions. On April 5, 2003, 68 persons, 61 of them gang members, were killed in a violent incident at El Porvenir prison near La Ceiba. Reports produced by the Public Ministry, a Special Commission of the Honduran National Council for Internal Security (CONASIN), and the Human Rights Commissioner put the blame for the vast majority of deaths on government security forces (police and military under police command) and nongang member inmate trustees.

18. (SBU) While Honduran labor law is deficient in some areas with respect to International Labor Organization core conventions, the main issue for the protection of labor rights, including freedom of association and collective bargaining, is the effective enforcement of existing laws. There are serious problems with child labor in several industries, particularly melon, coffee, and sugar cane (but not in the maquila sector), as well as in the informal economy, and trafficking in persons of women/children for commercial sexual exploitation in the U.S., Central America, and Mexico. USAID and Peace Corps have both been involved in HIV/AIDS prevention.

Corruption and Rule of Law

19. (SBU) Honduras remains one of the most corrupt countries in the Western Hemisphere and was recently ranked 106 out of 133 countries surveyed by Transparency International, an NGO that tracks international corruption issues. Only Ecuador, Haiti, and Paraguay scored lower in the Western Hemisphere. U.S. policy to combat endemic corruption has struck a nerve in Honduras, especially any mention of our visa revocation authorities. Maduro has stated he is willing to address corruption, even if it will cost him political support within his party, but real achievements to date have been lacking. Of particular concern are individual judges and prosecutors who solicit and/or remain open to offers of bribes. The Attorney General's office has been unwilling, or unable, to prosecute high-profile cases, with the notable exception of several sitting congressmen recently accused of drug trafficking and other offenses. The selection of Ovidio Navarro as the new Attorney General was also a clear political move orchestrated by those with a direct interest in the status quo. Given the scope of the problem, any public discussion about the country's pervasive corruption is a positive development.

USAID Programs

20. The Central America and Mexico (CAM) Regional Strategy

focuses bilateral and regional USAID investment on the three performance "arenas" of Ruling Justly, Economic Freedom, and Investing in People, and is closely aligned with the Millennium Challenge Account (MCA). USAID supports the Ruling Justly objective by increasing the responsiveness and accountability of public institutions, while also building on successful municipal development programs to create better models for governance, justice reforms, and transparency and participation. In the arena of Economic Freedom, there is a concerted focus on trade policy and preparations to ready Honduras' participation in the CAFTA and FTAA. USAID strives to bridge agricultural production in rural areas with relatively higher value processing and marketing enterprises in urban centers. The integrated natural resource management program emphasizes sustainable land and water-use, biodiversity, and reduced disaster vulnerability. Also, to support the Investing in People objective, the health program aims toward improving reproductive health, family planning, child survival, prevention of HIV/AIDS and other infectious diseases, and household food security. Seeking a better-educated Honduran work force through expanded access at the pre-school, middle school, and upper secondary levels (grades 10-11) is done using alternative delivery systems and implementing the Centers for Excellence in Teacher Training (CETT) Presidential Initiative. USAID is also assisting GOH efforts to develop quality education standards, testing, and evaluation.

Consular Issues

121. (SBU) Approximately 800,000 Hondurans, both legal and illegal, live in the U.S., a fact that places immigration issues high on the bilateral agenda. (The population of Honduras is 6.5 million.) There is deep appreciation for the U.S.'s extension of Temporary Protected Status (TPS) in the U.S. and interest in possible congressional action on the proposed Nicaraguan Adjustment and Central American Relief Act (NACARA), which would give immigration parity for Hondurans. With approximately 11,000 American citizens residing in Honduras and many thousands visiting Honduras annually for tourism and business, American Citizen Services are a key part of the Embassy's work. Since 1995, 35 American Citizens have been murdered in Honduras. There was not much progress on most of these cases until 2003, but there have now been 15 convictions in eight cases. Some progress has been made on extradition cases involving American Citizens residing in Honduras who are wanted for felonies in the United States.

Embassy Tegucigalpa

122. (SBU) Embassy Tegucigalpa is a medium-sized post, employing 140 U.S. citizens and 300 Hondurans among 20 USG agencies. The Peace Corps program, with more than 245 volunteers, is one of the world's largest, and the USAID mission had a FY04 budget of USD 45 million. The Mission maintains a Consular Agent in Honduras' second city and industrial center, San Pedro Sula.
PALMER